

00832

1986/10/07



DECLASSIFIED

Confidential
NOFORN

R
TODAY

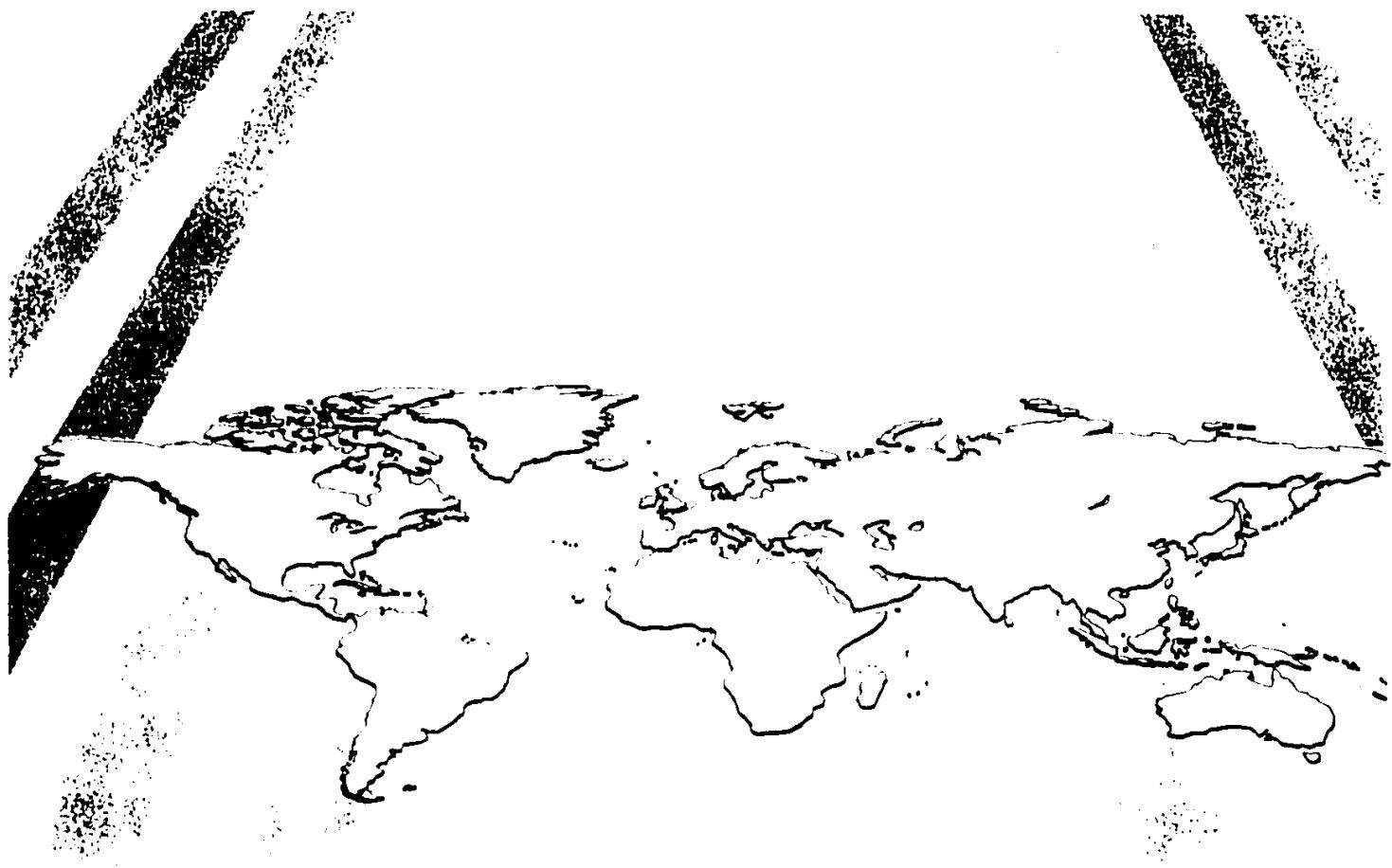
United States Department of State
Bureau of Intelligence and Research

Intelligence Research Report

DEPARTMENT OF STATE
CLASSIFIED DECLASSIFY IN/IPS/CR/IR Date: 6/10/97
REF ID: A610197
CENSURE DECLASSIFY IN PART EO Citations
COMINT DECLASSIFY IN PART
FOIA Exemptions CLASSIFY as () C. sec. TS authority to
PA Exemptions DOWNGRADe, TS to () C. sec. () G

China: Yearly Cycles and Political Behavior

IRR No. 35 - October 7, 1986



Confidential

~~UNCLASSIFIED~~

LIMITED OFFICIAL USE (with CONFIDENTIAL/NOFORN Appendix)

United States Department of State
Bureau of Intelligence and Research

(U) China: Yearly Cycles and Political Behavior

Intelligence Research Report

No. 35
October 7, 1986

Summary and Conclusions

Chinese leaders have consciously attempted to restore a measure of regularity and predictability to Chinese political, economic, and social life since the death of Mao Zedong in 1976. As a result, a good deal of Chinese political activity is now conditioned--as it was to a large extent in the 1950s--by cyclical patterns of economic and political activity. Some of these patterns--for example, agriculture and related rural activities, and the vacations of senior leaders--are driven by seasonal cycles. Others, such as the need for an annual statement on foreign policy for delivery at the autumn meeting of the UN General Assembly, are imposed from outside. Some cycles are more or less self-imposed: the annual cycle of planning and budgeting and the scheduling of major meetings, for example. Yet other patterns hang on such fixed dates as anniversaries and holidays.

In most cases, only a small portion of the cyclical behavior is observable from outside. Indications that certain points have been reached in these cycles, however, are sometimes signaled by events, statements, or press treatment. Moreover, the types of behind-the-scenes behavior required by some of China's cyclical patterns are often predictable. Better understanding of political and economic cycles and the types of behavior expected at various stages will help to

- 2 -

explain what is going on within the leadership and the bureaucracy at a given time and to predict what issues are likely to gain leadership attention within a certain timeframe.

Perhaps the most significant such cyclical pattern is the annual planning and budgeting cycle. China's fiscal and planning year runs from January 1 through December 31, with plan formulation beginning in July and August when the State Planning Commission (SPC) distributes preliminary control figures. By October, these figures have been disaggregated and passed downward--and sometimes modified slightly--and returned to the SPC for reaggregation into a draft plan that is examined and approved by the State Council by mid-November. The final draft is submitted to the National People's Congress (NPC) for ratification in March-April along with the Premier's "state of the union" address and the government's financial report.

This planning cycle focuses leadership attention on economic issues at certain times of the year, most notably between November and April. The drafting of the economic, planning, and financial reports to the NPC often entails considerable leadership debate over the state of the economy and the status of the reform program. Over the last several years, winter has been the season for attack against the reforms; the counter-attacks often come in the spring.

The planning cycle also drives certain bureaucratic activities, notably intensified efforts during the summer and fall to assure incorporation of pet projects into the next year's plan or to block projects of rival agencies. In general, the closer to the time of finalizing the plan, the more intense the jockeying. Sometimes this pattern results in increased signing of letters of intent, agreements in principle, and preliminary contracts with foreign companies in an effort to pressure planning and budgetary authorities and to secure domestic sources of funding, materials, and allocation of foreign exchange. As a general rule, the further in time from finalizing the plan, the more grandiose and optimistic is the rhetoric.

Closely interlinked with the general planning and economic cycle of behavior is the annual agricultural cycle; indeed, the January-December fiscal year cycle is probably partly a function of the agricultural season. Most major agriculture policy decisions are announced shortly after the harvest--at the annual Rural Work Conference in December--and in recent years have been publicized in the annual rural work report, published in December or January. The slack farm season during the winter is the occasion for annual campaigns--to reconstruct and maintain rural infrastructure, promote birth control, intensify public health work, etc.--and for military recruitment. (Other

LIMITED OFFICIAL USE

DECLASSIFIED
LIMITED OFFICIAL USE

- 3 -

annual campaigns--such as the biannual crackdown on crime--are less tied to economic cycles; the anticrime push is timed to improve public security before Spring Festival and National Day.)

Economic and planning cycles appear strongly to influence the schedule of regular party and government meetings which, in turn, drive important types of political activity. Some meetings--such as the Rural Work Conference--have relatively fixed and predictable agendas. Others, including meetings of the State Council and NPC, have broad, but bounded, mandates. Thus, the NPC hears the economic, planning, and financial reports of the government; deliberates legislation; ratifies major personnel changes; and occasionally discusses foreign policy issues. Other regularly scheduled meetings, such as the annual party plenum or congress, have unbounded agendas: They may discuss virtually any issue.

China is a society of meetings, and meetings drive certain types of activity. Reports must be prepared, personnel changes must be decided upon, legislation must be finalized, new policy initiatives must be ready. These requirements set in train a series of behind-the-scenes activities, including preliminary meetings, document drafting, personnel searches, and investigation trips that can go on for weeks or months before they become visible to the outside. They take up much of the time of staff agencies, bureaucracies, and--closer to the time of decision or announcement--top leaders and their personal staffs. Similarly, regular external events require preparation and decisions. The annual UNGA session, for example, requires a comprehensive statement on Chinese foreign policy; this must be debated and worked out in the weeks preceding the session. Likewise, annual sessions of bilateral economic commissions, the annual US-South Korean joint military exercise, and the annual announcement of Japan's defense budget often necessitate a reaction.

The scheduling of meetings heavily influences the travel schedules of top leaders. Leaders generally take two extended annual vacations, one between New Year's and Spring Festival--generally in the warmer climate of southern China--and one in mid-summer at the coastal resort of Beidaihe. The winter vacation falls between final decisions on agricultural and economic issues and their announcement at the NPC, while the summer vacation usually is taken up with preparatory sessions before the September-October party plenum.

Leaders tend to travel internally in four time clusters: winter vacation; after the NPC (mid-March to mid-May); during mid-summer, often in conjunction with the Beidaihe vacation;

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
LIMITED OFFICIAL USE

- 4 -

and from late summer to mid-autumn. Winter trips tend to be to southern provinces. Spring trips often are aimed at inspecting industrial, energy, and transportation facilities or investigating specific economic problems or models of policy implementation. Summer travel frequently focuses on underdeveloped and remote areas. Leaders often make autumn trips to bread-basket provinces or provinces with significant agricultural problems.

Leadership travel overseas is less amenable to rigid scheduling. Except for such unpredictable trips as those to attend the funerals of foreign leaders, however, top Chinese officials usually take no more than two foreign trips per year. These trips tend to fall between March and May or between late October and mid-November. No general pattern of relationship between time of travel and location is discernible, but leaders tend to cluster side trips on each visit within a single geographical area or on a more-or-less direct route to and from their major target.

A series of annual events and anniversaries also drives certain types of political behavior. Some dates--New Year's Day, Spring Festival, May Day, Party Day (July 1), Army Day (August 1), and National Day (October 1)--require leadership statements and official media commentary, much as Thanksgiving and Christmas call for a Presidential statement in the US. Moreover, the Chinese leadership is very conscious of the importance of regularity in observing significant anniversaries as a means of strengthening the legitimacy of their rule and assuring the public of the stability of their policies.

Chinese history is replete with opportunities for commemoration of important and significant events, and the Chinese are masters at dredging up obscure dates and events to make a point. In recent years, anniversaries from the Japanese invasion of the 1930s have served as useful triggers for commentary on the state of Sino-Japanese relations, and the 300th anniversary of Coxinga's invasion of Taiwan was used in 1982 for political purposes. Some anniversaries--of the 1980 Soviet invasion of Afghanistan or the signing of the August 17, 1982, communique with the US--pass unnoticed some years but are noted for political purposes in others.

* * * * *

LIMITED OFFICIAL USE

DECLASSIFIED
LIMITED OFFICIAL USE

- 5 -

(U) Contents

Annual Budget and Planning Cycle	7
The Agricultural Cycle	9
Political Cycles	10
Cyclical Meetings	10
Annual Campaigns	14
Leadership Vacations	15
Cyclical Travel Schedules	16
Internal Travel	17
Travel Overseas	17
Cycle of Anniversaries and Annual Events	18
Anniversaries	18
Annual Events	20
Appendix: The People's Liberation Army--Planning and Budgeting Cycle	I

UNCLASSIFIED

p. 6 - Blank.

UNCLASSIFIED
LIMITED OFFICIAL USE

- 7 -

Annual Budget and Planning Cycle

Much of China's economic activity revolves around the annual cycle of budget and plan formulation, discussion, reformulation, ratification, and implementation.^{1/} The SPC's preliminary control figures for the resources and products included in the national (mandatory) plan are based on the previous year's final statistics and policy deliberations. These are undertaken pursuant to the NPC's spring meeting and are approved by the State Council, probably in one of its periodic plenary sessions. After the preliminary figures are approved by the State Council, apparently in early September, the SPC distributes control figures to the various central ministries and to the provincial, regional, and municipal governments that have line entries in the state plan. In recent years, these have included not only the 29 provincial-level units but the cities of Chongqing, Wuhan, Shenyang, Dalian, Harbin, Xian, and Guangzhou.

The ministries and localities, in turn, disaggregate the plan figures and distribute them to their constituent bureaus, municipalities, and factories. During September and early October, these figures are discussed and sometimes modified slightly by lower level units before they are resubmitted upward to the provincial governments and ministries for reaggregation.

Sometime in October, the modified control figures are reaggregated by provincial governments and ministries and are resubmitted to the SPC. On the basis of these revisions, the SPC drafts a more detailed plan during October and November, which it submits for State Council ratification, usually before mid-month.

Once this semifinal plan has been approved by the State Council, the SPC convenes its annual national planning conference. This conference, involving several hundred people from the ministries and provinces, hammers out final, overall national plans for finance, production, investment, material supply, labor and wages, and commerce. The results of this

^{1/} The Chinese economy operates in important ways on a quarterly cycle of reporting and adjustment to yearly plans. Only the yearly cycle is discussed herein. The Appendix describes some differences in the military budget cycle.

UNCLASSIFIED
LIMITED OFFICIAL USE

- 8 -

conference become the de facto annual plan, although the document is not finally ratified until the NPC in March or April.

After the conclusion of the national planning conference, a series of local and interregional conferences is held with representatives of enterprises. These conferences plan and allocate materials and funds under the control of provincial-level governments. At about the same time, national "goods-ordering conferences" are held for each major commodity subject to national planning and allocation. Thus, for example, the national steel conference sorts out the particulars--suppliers, varieties, quality, delivery dates, etc.--for ferrous metallurgical products that are allocated only in a general way under the national plan.

As a result of the planning/budgeting cycle, leadership attention usually becomes focused on economic issues late in the year and into the new year. Often, media debate of economic issues and criticism of current policy or shortcomings in its implementation intensify. Sometimes the public manifestations of economic debate reflect intense leadership wrangling behind the scenes as year-end economic results become available and the Premier's report to the NPC on the state of the economy is being drafted. Over the last several years, winter has not been a propitious season for reforms; the "spiritual pollution" campaign in 1983-84 and the attack on macroeconomic mismanagement by top reformers in 1984-85 both took place near the turn of the year.

By late winter-early spring--when the leadership has reached agreement on the state of the economy, the most serious current economic problems, and the proposed solutions--public commentary is stepped up in support of the current policy hobbyhorse: e.g., restricting extra-budgetary investment, concentrating on key projects, opening to the outside, or reducing foreign exchange expenditures.

Also as a function of the planning cycle, efforts to incorporate certain projects into the plan--or to block their inclusion--often exacerbate interagency rivalries during the summer and fall, with consequent spillover into the press or ripple effects in dealings with foreign traders and investors. The rivalries intensify as the time to finalize the budget and plan approaches: Uncommitted resources are shrinking rapidly at a time when only the most intractable questions remain.

December is often a heavy month for orders from abroad as enterprises seek to spend the year's remaining funds or take advantage of permission to purchase abroad during the current planning year. Similarly, spring often sees the beginning of a

DECLASSIFIED

LIMITED OFFICIAL USE

- 9 -

spending spree and the signing of new contracts after the final plan has been approved and resources and funds begin to be disbursed.

Internally, economic actors often also jockey for position in next year's plan at the end of the year, sometimes with substantial adverse impact on the economy. In late 1984, for example, word apparently leaked out within China that a decision had been taken to link planned wage levels and bank lending levels for 1985 to year-end 1984 figures. This set off a spiral of borrowing and awarding of bonuses, leading to high rates of inflation and intense criticism of top reformers by more conservative political leaders.

The economic/planning cycle determines not only that the leadership must focus its attention on economic issues from late fall to early spring but that it must frequently do so to the virtual exclusion of other issues. Thus, once deliberation on economic issues has culminated in the Premier's report to the NPC, the leadership can, and frequently does, turn its attention to other matters, especially to important personnel decisions and such sensitive issues as culture, ideology, education, and scientific and technological policy.

By mid-year, adjustments have been made in response to criticisms and suggestions leveled during the winter. During the summer, the leadership's attention often turns to finalizing personnel changes and determining what reform initiatives will be announced for the next year. These decisions usually are taken during July and August and announced in September and October at the annual party meeting.

The Agricultural Cycle

Much of China's political and economic behavior is driven by the natural cycle of agriculture. The January-December fiscal year and planning-economic cycle, for example, are probably at least partly a function of the harvest cycle and the availability of fall harvest statistics at year's end for planning purposes. Moreover, because of the confluence of the agricultural and planning cycles, major agricultural policy departures and campaigns are almost always unveiled late in the year and heavily publicized over the winter.

The slack season each winter is the occasion for a number of annual campaigns and media blitzes including reminders to local officials to assure renovation and repair of such rural infrastructure as roads and water conservation projects and intensified propaganda on public health and birth control. The People's Liberation Army's annual recruitment drive is also timed to coincide with the agricultural slack season. In

LIMITED OFFICIAL USE

UNCLASSIFIED

LIMITED OFFICIAL USE

- 10 -

addition, rural-urban migration intensifies during the slack season as idle peasants seek temporary employment in construction, food processing, and other urban sectors. This population increase probably heightens local attention to problems in labor relations, housing, transportation, and food supply.

Spring calls forth annual exhortations about planting season and the need for signing production contracts. By late June and early July, preliminary results from the spring crop are available and the leadership has relatively good forecasts for the autumn harvest. As a result, commentary on the state of agriculture, media attention to problems, and adjustments in policy begin to appear.

Naturally, the media throughout the summer report on rainfall and natural disasters and their projected impact on the fall crop. Often, important leaders--especially those with an interest in or responsibility for agriculture, transportation, water resources, or related sectors--make onsite inspection visits to stricken areas. As a result of natural disasters, preliminary forecasts of the harvest, and reports on investigation trips undertaken during the summer, the state of agriculture may figure in leadership discussions at the summer vacation meetings at Beidaihe and in committee sessions during the party plenum in the fall.

By late October and early November, preliminary statistics from the autumn harvest are available to the leadership and the drafting process for the annual rural work report begins. The annual edition of Central Document Number One--the party's official statement on the status of agriculture and rural policy--usually is finalized in early December and is circulated internally. The annual Rural Work Conference is held in December, usually late in the month, and Document Number One normally is circulated shortly thereafter, in January.

Political Cycles

Cyclical Meetings. Much of Chinese politics and policy deliberation is driven by an increasingly regular and predictable schedule of political meetings. Some of these--such as the annual December Rural Work Conference--have relatively fixed agendas. Some meetings have broad, but bounded, mandates. For example, the NPC hears the Premier's state of the union report and the reports on the budget and annual plan, deliberates legislation, ratifies major state personnel changes, and occasionally discusses foreign policy issues. The agendas of other regularly scheduled meetings are decided by the central leadership and may include virtually any topic; this type of meeting includes the annual series of vacation work conferences and the annual party plenum.

LIMITED OFFICIAL USE

DECLASSIFIED

LIMITED OFFICIAL USE

- 11 -

The scheduling and nature of these meetings drives much of Chinese political activity. Documents must be drafted, legislation prepared, appointments and dismissals decided upon. Leadership travel usually is scheduled around major meetings, and visits of foreign dignitaries sometimes are scheduled to avoid conflicting with preparations for or the actual convention of major meetings.

State meetings. For most of its 35 years, the NPC has been a "rubber-stamp" parliament without substantive powers. This role appears to be changing somewhat. The NPC now has not only a Standing Committee which meets regularly (see below) but also, for the first time, permanent committees with staffs. These committees make investigative tours, travel overseas, and even draft some legislation. Although the NPC's role remains circumscribed, its expanding influence bears watching in the years ahead.

The NPC has held an annual plenary session since 1977. From 1977 to 1982, the NPC met in the fall or early winter. A decision was taken in late 1982 or early 1983 to move the date of the NPC meeting to the spring in order to coincide more closely with the planning-budgeting cycle and to strengthen the NPC's role in actually deliberating and influencing major economic decisions. In 1983, the NPC met in June but announced later in the year that future sessions would be held in March or April, a timeframe adhered to in 1984-86.

The annual NPC session involves certain predictable activities. The session opens with a few days of plenary session and hears reports by the Premier, the Minister of Finance, and the SPC Chairman and reports on draft legislation and on high-level delegations to foreign countries during the previous year. Although many routine appointments and dismissals and the passage of many statutes and laws are now handled by the State Council or the NPC's Standing Committee, high-level personnel actions--such as the appointment of President, Vice President, Premier, Vice Premiers, and State Councilors--and particularly important laws are decided by the full NPC.

After the opening meetings, delegates break up into discussion groups; assignment to a discussion group apparently is based on the region the delegate represents or membership in the military. Meetings of these groups usually continue for about a week, while members discuss and debate the reports and significant issues placed before the session. Finally, delegates reassemble for one or two plenary meetings to vote on proposals, legislation, and personnel actions.

The NPC Standing Committee has played an increasingly important role in recent years and has adopted a regular

LIMITED OFFICIAL USE

UNCLASSIFIED
LIMITED OFFICIAL USE

- 12 -

schedule, meeting about every 8-10 weeks for about 10 days. Since 1984, meetings have taken place on a January-March-June/July-August/September-November schedule. The content of the Standing Committee meetings also is relatively predictable: The committee generally hears reports on draft legislation and high-level trips abroad and makes ministerial-level personnel changes.

The scheduling of the NPC and its Standing Committee and the "bounded" nature of their agendas drive certain types of behavior. By the time the NPC convenes, the leadership must have agreed on the state of the economy and must have incorporated its consensus view into the Premier's report. Key problems and issues must have been identified and at least tentative solutions outlined. New reform initiatives--or a decision to defer new measures--must have been prepared.

Decisions on major personnel actions must have been made by the time a meeting is scheduled to convene. The strange events surrounding the nomination of Wang Meng as Minister of Culture at the March 1986 NPC--the Congress adjourned without acting on the nomination, an apparently almost unprecedented step--suggests that personnel changes are sometimes rushed, without adequate groundwork having been done, in order to meet the deadline of a meeting.

Similarly, the regularity of the NPC's meetings--or those of its Standing Committee--may affect drafting schedules for major pieces of legislation. The submission of a draft bankruptcy law to the June 1986 16th session of the NPC Standing Committee, for example, could be seen as an effort to give the NPC's delegates a greater voice in shaping a major and controversial new law. It is also possible, however, that the drafting process was rushed in order to have the law ready for the scheduled NPC meeting.

The Chinese Government, like most governments, operates by hammering out consensus and compromise at numerous meetings. The State Council holds periodic plenary sessions and a nucleus--a "cabinet" composed of the Premier, Vice Premiers, State Councilors, and Secretary General--meets biweekly. Because major decisions are made at these meetings, staff work, ministerial activity, and leadership attention becomes focused on specific issues in preparation for the meetings. Similarly, a number of State Council coordinating bodies--such as the various "leading groups" and the foreign policy coordinating body--may have regular schedules that focus the leadership's attention on particular issues at a certain time.

The agendas of these meetings are shaped to prepare for higher level national meetings such as the NPC, and they often

LIMITED OFFICIAL USE

are related to economic/planning, agricultural, or other cycles. Thus the NPC's annual budget/plan deliberations are preceded by one or more plenary sessions of the State Council at which the draft budget and plan are finalized. These, in turn, are preceded by one or more meetings of the SPC at which ministerial and provincial figures--hammered out at a series of meetings in the ministries and provinces--are aggregated into the plan submitted to the State Council. In addition, each ministry, province, bureau, and municipality has its own schedule of meetings, driving much of the behavior of bureaucrats.

Party meetings. With increasing regularity, the Communist Party holds an annual plenary session--in 1985, two plenums were accompanied by an extraordinary conference of delegates--in September or October. The content of these meetings is highly variable, designed to address not more than two or three key problems or issues. Thus, the late 1983 second plenum unveiled plans for party rectification, the October 1984 third plenum ratified the party's plans for comprehensive urban reform, and the October 1985 fourth and fifth plenums focused on leadership change and passage of the draft Seventh Five-Year Plan. The sixth plenum was held in September to discuss cultural-ideological issues and, possibly, to make initial decisions on high-level personnel changes that will be made at next year's full party congress.

With politics becoming increasingly regularized, the role of ad hoc party meetings--such as the work conferences that were so prominent from 1978 to 1980--appears to have diminished. At the same time, however, the Politburo and its Standing Committee appear to meet only infrequently and irregularly. Their role as the party's chief deliberative bodies has been eclipsed by the Secretariat, which meets twice weekly.^{2/}

^{2/} Much of the activity of the party's internal bureaucracy probably is driven by the regularity of Secretariat and State Council meetings and the shifting agenda. It seems likely that the leadership is subject to not only a yearly pattern of cyclical political behavior but also a rather rigid weekly cycle revolving around the meetings of the Secretariat and the State Council Standing Committee, and perhaps to monthly and quarterly cycles driven by planning and economic reporting and other factors. Moreover, local and ministerial leaders likely also operate on cycles revolving around similar, if lower level, meetings. Their planning and economic cycle operates earlier than the one in Beijing, however, because they occupy an earlier segment of the planning loop.

~~UNCLASSIFIED~~
LIMITED OFFICIAL USE

- 14 -

Other Meetings. China is a society of meetings. Other meetings vary from the regular--the annual session of the Chinese People's Political Consultative Conference, for example--to the irregular--meetings to hear progress reports on party rectification and sessions of the Central Discipline Inspection Commission--to the unusual or unique--the one-time party representative conference and the January 1986 conference of 8,000 cadres.

Some meetings are secret--even their existence often is not revealed publicly, at least at the time. Meetings of the Politburo and its Standing Committee usually are not revealed until after the fact, sometimes through the public mention of a top leader's attendance or revelation of the contents of an important speech delivered at such a session. The Military Commission or its Standing Committee also may hold regular meetings; if so, it is not publicly known. Indeed, the regular schedule of activities within the PLA is a major gap in understanding of Chinese politics.

Finally, some less important meetings are now also apparently becoming regularized on a yearly basis; the leadership, for example, frequently convenes a conference of provincial governors in the spring. The matriculation-graduation cycle of the Central Party School also has become important in recent years and affects the schedules of both top leaders, who often give important addresses there, and cadres up to and including Vice Premier and Secretariat member level, who attend classes. Major graduation speeches--such as Wang Zhaoguo's July 17, 1986, talk on political-structural reform and Hu Yaobang's fall 1984 speech on ideology, later published as a series of commentator articles in People's Daily--have signaled political turning points in the course of reform.

Annual Campaigns. Public campaigns in the past were a major means of mobilizing the population for a variety of political and economic tasks, ranging from exterminating the "four pests" to building backyard steel furnaces. Under Deng's regime, however, mass mobilization campaigns have been discarded, replaced for the most part by annual exhortations to "cherish the army and love the people," promote the "five stresses, four beauties, and three loves," plant trees, and celebrate civility month.

One exception to this general rule remains, however. Over the past several years, China's security apparatus has initiated a regular biannual crackdown on criminal behavior, timed to improve social stability by the time of Spring Festival and National Day. Thus, in late winter and early fall, criminal offenders are rounded up. Small-time criminals are sent to

LIMITED OFFICIAL USE

DECLASSIFIED
LIMITED OFFICIAL USE

- 15 -

labor reform camps or jailed; in most major cities, a number of major criminals--usually murderers, rapists, and major embezzlers--are given highly publicized trials and are summarily shot. This campaign usually is accompanied by a number of statements by top leaders--including Deng Xiaoping, Hu Yaobang, Zhao Ziyang, and Peng Zhen--on the need for law and order.

Campus unrest also seems to operate on a biannual schedule, with activity intensifying on the eve of Spring Festival--when anticipation of spring vacation and anxiety over exams is exacerbated by a long winter of frustration in dealing with cold dormitories, inadequate lighting, and cramped conditions.

Leadership Vacations. The leadership's annual August working vacation--usually at Beidaihe but sometimes in Dalian, Qingdao, Yantai, or another resort--apparently serves as an intensive session of small-group meetings and rump Politburo sessions in which senior leaders discuss a wide range of issues, decide on the political agenda for the coming year, and finalize plans for the fall Central Committee meeting. Indeed, Premier Zhao is reported to have said recently that for the last three years (1983-86) the "Central Committee" and "State Council" have been shifted to Beidaihe to handle official business in the summer.

These comments may not be far from the truth, according to a well-connected Hong Kong journal. Apparently the central leadership operates a set of temporary offices at Beidahe from which the General Office of the Central Committee, the General Office of the State Council, and offices of the NPC conduct business. The Secretariat and the State Council Standing Committee probably hold their biweekly meetings there, and the several weeks of vacation are probably taken up by a rolling series of meetings--some are probably formal sessions of the Politburo or its Standing Committee, many are likely informal get-togethers on the beach, over dinner, or at the card table.

Major reform initiatives often emerge from these vacation meetings. Frequently, the only indication that these sessions have begun is an unobtrusive notice that one or more leaders met a foreign visitor at Beidaihe; sometimes only the absence from public view of most top leaders hints that the meetings are under way.

Often, no word of leadership debates leaks out from Beidaihe at the time, even in the well-connected Hong Kong press. Moreover, with many other officials also on vacation and the leadership not readily available to approve media commentary containing significant departures from the standard line, the Chinese press often gives no hint that major issues

LIMITED OFFICIAL USE

~~CONFIDENTIAL~~
LIMITED OFFICIAL USE

- 16 -

are under debate. These summer doldrums sometimes leave the impression that the Chinese political scene is quiet, when in reality the leadership may be in the midst of intense debate and controversy. At other times, individual leaders leak news of ongoing debates--even suggesting that decisions already have been made in an apparent effort to pressure their colleagues into making those decisions--through meetings with foreigners or to the Hong Kong media.

During midwinter, the senior leadership often disperses for vacation in warmer climes. In the past, Marshal Ye Jianying routinely spent his winters in Guangzhou; party elder Chen Yun usually winters in Hangzhou. Sometimes, these winter vacation trips have significant policy implications. Deng Xiaoping's late 1983-early 1984 trip inspection of the Special Economic Zones, for example, resulted in the April 1984 decision to open 14 coastal cities to outside investment, and Hu Yaobang's early-1985 visit to the troops on the Vietnam border and his January-February 1986 trip to Hainan and the Xisha islands were likely related to Hu's efforts to cultivate relations with the PLA and to engineer his promotion to chairman of the Military Commission. Moreover, sometimes the leadership's winter debates over economic performance and policy are carried out in the local press, with leaders leaking their views to local media through articles, inspection trips, or meetings with visiting dignitaries.

Winter vacations often are scheduled to coincide with New Year's and/or Spring Festival. Leaders tend to disperse into the provinces--often to their home provinces or ones with which they have a longstanding relationship--to convey the leadership's collective wishes for the lunar New Year. But they also may have other agendas, including boosting model examples of their favorite policy--"civilized villages," outstanding PLA units, successfully managed factories, etc.

Significantly, leadership travel into warmer climes during the winter tends to focus attention on certain issues. Visits to Zhejiang and Fujian--such as Hu Yaobang's highly publicized December 1985 stopover at the Dachen islands and in Fenghua County, Zhejiang, Chiang Kai-shek's place of birth--can highlight the Taiwan issue. Trips to the southern front across from Vietnam have obvious political implications, and inspections of progress in the Special Economic Zones raise issues related to the "Open Door policy," "spiritual pollution," and Hong Kong reunification.

Cyclical Travel Schedules

The Chinese leadership appears to engage in a fairly regular cyclical pattern of travel, both internally and

~~ALL INFORMATION CONTAINED~~
LIMITED OFFICIAL USE

- 17 -

internationally. Leadership travel clearly is linked to other types of cycles: Vacations are linked to seasonal change; internal inspection trips are related to the planning-economic cycle; foreign travel often is scheduled around major meetings at home.

Internal Travel. Over the past several years, top leaders have been extremely active in traveling within China. On average, Premier Zhao, General Secretary Hu, and most of the Vice Premiers, State Councilors, and members of the Secretariat take an inspection trip outside Beijing almost once a month. Elderly leaders--Deng, Li Xiannian, Chen Yun, and Peng Zhen, for example--travel less but still take at least one or two trips to the provinces each year, even if in association with a vacation.

Lengthy internal trips by "second-echelon" leaders tend to cluster in four time periods. After the winter vacation-Spring Festival travel period, most active leaders are present in Beijing while economic issues are debated and the Premier's report on the state of the union is finalized. Once the NPC session is over, however, many leaders--especially those in the "second" and "third" echelons--travel in the provinces. Generally, between mid-March and late May these trips focus on inspecting industrial, energy, and transportation facilities or investigating significant economic problems or models of good implementation.

Some leaders, usually from the "second" and "third" echelons, travel during mid-summer--July and August--seeming to concentrate to some extent on visiting remote or backward areas at this time of year, a cycle probably related to the weather. Senior leaders tend to take extended summer vacations, sometimes lasting as long as 4-6 weeks. In any event, even leaders who choose to travel in July and August usually seem to stop at Beidaihe for a week or two to attend crucial meetings of the leadership.

Naturally, leaders tend to avoid traveling just before and during the annual September-October Central Committee meeting. Once the session has concluded, however, leaders again take to the road. During their late summer-fall travels, most leaders seem to concentrate on heavily rural provinces, provinces with significant agricultural problems, or "breadbasket" provinces. During this period, it appears, they conduct investigations on the state of agriculture and the implementation of rural policy. By mid-November, most leaders are back in Beijing for discussions preceding the annual Rural Work Conference and the drafting of Central Document Number One.

Travel Overseas. Travel overseas by important leaders naturally is less amenable to the type of scheduling outlined

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

- 18 -

above. Leaders tend to avoid traveling during the annual NPC session, the party plenum, and the summer vacation period, but travel schedules generally are negotiated at the convenience of both sender and receiver, forcing greater variation. Moreover, unexpected events--such as the death of a foreign leader--can call for unexpected trips abroad by senior leaders.

Notwithstanding these reservations, leadership travel tends to cluster in three time periods--two major and one minor: Senior leaders tend to schedule their trips abroad between March and May and between late October and mid-November. Leaders sometimes travel in July-August, but this appears to be a less favored time.

Unlike with internal travel, no general pattern of relationship between time of year and location of foreign travel is discernible. Itineraries tend to be limited geographically, however, to either the vicinity of the major target of a visit or to a more-or-less direct path of return to China from the major target. Thus, when a high-level leader attends the annual UNGA session, he is likely to visit countries in the Western Hemisphere or those along his path of return. Similarly, a visit to the US or the USSR may be accompanied by stopovers in nearby countries or countries along the route home. Since 1984, Premier Zhao has attended the fall UNGA session, a precedent likely to be followed by his successor.

Cycle of Anniversaries and Annual Events

Anniversaries. Almost any day of the year has significant connotations in Chinese history and can be manipulated for political purposes. In recent years, for example, several anniversaries from the Japanese invasion of China in the 1930s have been resurrected to commemorate past history and bring political pressure to bear on current issues. Events from the more recent past--the anniversary of the signing of the August 17, 1982, US-China communique or the anniversary of the Soviet invasion of Afghanistan--are almost ignored some years but in others are used to send important signals. Similarly, commemoration of the anniversary of the birth or death of important deceased communist officials--especially anniversaries in multiples of 10--often are revealing. Over the last few years, treatment of Wang Jiaxiang, He Long, and Ren Bishi, for example, contained clues about contemporary policy debates and personal relations among leaders.

The sudden commemoration of an anniversary, or the unexpected failure to mark one that has received official attention

LIMITED OFFICIAL USE

in the past, often can be politically meaningful. Similarly, the level of leadership representation at commemorative events and the presence or absence of individual leaders--e.g., at the July 4 reception at the US Embassy in Beijing or the annual reception for foreign military attaches--may be significant.

In general, first, fifth, 10th, or multiples of 10th anniversaries are viewed as most significant, and pressure for official recognition is most likely strongest. Thus, the 50th anniversary of Japan's 1937 invasion of China will be very difficult for China's leaders to ignore, even if they wish to soften the impact of its commemoration on Sino-Japanese relations. Similarly, the leadership probably was under considerable pressure to reaffirm Mao's policy of letting "100 flowers" bloom during the 30th anniversary of its promulgation in 1986. The 10th anniversary of Mao's death in 1986 probably puts the leadership under pressure to issue clarification of his status, as will the 100th anniversary of his birth in 1993. The 30th anniversary of the 1956 Bandung Conference occasioned considerable attention in Chinese media, in contrast to the 20th anniversary of Mao's May 16 directive which launched the Cultural Revolution.

China's post-Mao leaders recognize the utility of regularity in observing significant anniversaries in strengthening the party's legitimacy and signaling the stability of its policies. Despite the variable treatment of some anniversaries and the endless array of potentially significant commemorations, the leadership regularly commemorates certain dates, much as the President of the United States routinely issues statements at Thanksgiving and Christmas.

Official leadership statements--often in the form of a People's Daily editorial--are de rigueur at least on January 1 (New Year's Day), May 1 (Labor Day), July 1 (anniversary of the party's founding), August 1 (Army Day), and October 1 (National Day). Similarly, National Day and Spring Festival--whenever it falls--have become traditional times for receptions in Beijing at which at least one major leader gives an address. On Chinese Arbor Day (March 12), the top leadership annually plays a role strongly reminiscent of the Emperor's plowing of the ceremonial first furrow; top leaders turn out all across the country to plant trees and ring in springtime.

Some anniversaries stand in between the regular and predictable and the occasional. Omission of a statement or commemoration sometimes can be viewed as equally significant as official recognition; the April 5 anniversary of the 1976

~~UNCLASSIFIED~~
LIMITED OFFICIAL USE

- 20 -

Tiananmen incident,^{3/} Mao's birthday, and the anniversary of Mao's death are examples.

Semiregularized behavior also appears to take place with regard to leadership attention to the Taiwan issue. Until 1979, China regularly "celebrated" the anniversary of the February 28, 1947, massacre on Taiwan with calls for the "masses" on Taiwan to rise up and liberate themselves and with promises of help in such an eventuality. Since 1979, such treatment has been replaced by appeals for the peaceful reunification of China, released at Spring Festival, traditionally a time for remembering (common) ancestors, and at New Year's. Another time for such appeals is early October--which contains both China's National Day on the first and the October 10 anniversary of the 1911 revolution, celebrated as national day on Taiwan. In 1981, for example, Ye Jianying's nine-point proposal for reunification was released on September 30, the eve of the 70th anniversary of the 1911 revolution.

Annual Events. In addition to anniversaries, a number of annual events extrinsic to the Chinese political system drive certain types of political behavior in China. The Chinese are constrained, for example, to prepare a comprehensive statement on foreign policy in time for delivery at the annual September session of the UNGA. Similarly, the annual session of joint US-Chinese economic and financial commissions necessitates a review of bilateral trade and investment issues. Each of these requires a period of bureaucratic activity--drafting of position papers and talking points, and coordination between agencies--and leadership attention. Lesser events--such as the annual US-South Korean joint military exercises and the publication of the Japanese defense budget--also often necessitate a reaction.

Prepared by Christopher M. Clarke
647-1343

Approved by Richard A. Clarke
647-2402

^{3/} The Tiananmen incident was a spontaneous demonstration of affection and respect for the recently deceased Premier Zhou Enlai. Security forces cracked down, arresting hundreds. The radicals blamed Deng Xiaoping for fomenting trouble and secured Mao's approval to remove him from office.

CONFIDENTIAL (entire text)

- I -

Appendix

The People's Liberation Army - Planning and Budgeting Cycle^{1/}

Overall military spending is composed of four categories: operational expenses, replacement of weapons and weapons systems, research and development for new weapons and weapons systems, and "big ticket" foreign purchases of military equipment and technology. Requirements and requests for the next year's plan are formulated in winter and spring. During the summer, these requests are arbitrated and aggregated at Military District, Military Region, and service branch headquarters levels. By about October 1, requests are submitted to the General Logistics Department (GLD) for aggregation and coordination, and then are passed to the Central Military Commission (CMC) for approval. Items approved by the CMC are turned over to the SPC for inclusion in the state plan and are discussed by the State Council. The entire plan is then submitted to the annual session of the NPC in March or April.

Operations Budget

The operations budget is an aggregate of budget requests submitted by operating units of the PLA. These requests are coordinated and finalized by the GLD. The budget for operating expenses is the smallest of the major components of defense spending and the most stable. Operating expenses include food, clothing, housing, pay, training and education, fuel, repair and maintenance, and other basic expenses. Budgets for operating expenses are submitted to the GLD by all seven Military Regions, the Navy (PLAN), the Air Force (PLAAF), and the People's Armed Police (PAP). The GLD coordinates these requests and consolidates them into an overall operations budget.

Formulation of the operations budget begins in January at the divisional level. Divisions base their requests on past patterns of usage, anticipated needs for the year, and authorized personnel and equipment levels. Because units are stocked on an infrequent and relatively inflexible schedule, and the possibility of receiving supplemental allocations is limited, depots tend to inflate their initial budget requests. Operational budget requests from divisions are aggregated at higher levels--Military Districts (MDs) for local forces and Military Regions (MRs) for main force units--during the summer.

^{1/} See also INR Report 1273-AR, "China: Equipping the People's Liberation Army--Decisionmaking, Budgeting, and Procurement," SECRET/NOFORN, May 28, 1986.

CONFIDENTIAL//REF ID: A91200

- II -

By the beginning of the fall, the MRS and the commands of the PLAN, PLAAF, and PAP have all received operating budget requests from the MDs or their service equivalents. The regions and service commands, in turn, aggregate these requests. In doing so, they consider both historical patterns and new tasks or missions. The services, staff departments, and MRS submit requests for operating expenses to the GLD by October 1. The GLD coordinates the operating expense budgets for the entire military, reportedly including the operational budget of the National Defense Science, Technology and Industry Commission (NDSTIC), which is not formally part of the PLA hierarchy. Similarly, operational expenses for the Ministry of National Defense probably are part of the consolidated operations budget compiled by the GLD.

Weapons Replacement Budget

Budgetary decisions on weapons replacement are made by the GLD and General Staff Department (GSD) with only minimal input from lower levels. Unlike the budget for operating expenses, the weapons replacement budget follows an almost exclusively "top-down" process, with very limited direct input from the MDs or service branches. The GLD--under the direction of the CMC and in close coordination with the GSD and State Council--establishes the parameters of the weapons replacement budget at the beginning of the budget year. The GSD's Equipment Bureau, however, is the major actor in the process, deciding what weapons are to be purchased and how they should be distributed.

After the Equipment Bureau formulates and the GSD approves the PLA's budget for weapons replacements, it is passed to the CMC. The CMC makes final decisions on "the development and acquisition of new weapons" and coordinates this portion of the budget with the PLA's planned operations expenses.

Research and Development Budget

Research and development of military hardware probably takes the largest portion of the defense budget but lies outside the direct jurisdiction of the PLA. In general, funds for military R&D come from both budgeted allocations controlled by the NDSTIC and from supplemental resources provided by the Ministry of Defense and defense-related industrial ministries or research institutes involved in specific projects. Because the R&D budget is so large, involves so many actors, is so subject to yearly variation, and has such widespread economic, financial, and technological implications, decisionmaking on this aspect of military spending is more highly concentrated in the upper reaches of the party and government than are decisions on other components of the military budget.

~~CONFIDENTIAL~~

- III -

The CMC takes a particular interest in issues of R&D and apparently plays a strong role in deciding what research projects to pursue. NDSTIC, however, is the responsible line agency that writes the budget for R&D and coordinates all defense-related R&D projects. Throughout the summer and fall, NDSTIC works with the General Staff, the Ministry of Defense, and various industrial ministries--nuclear, electronics, aviation, ordnance, and space--and with the China State Shipbuilding Corporation to coordinate future equipment needs and priorities, ongoing R&D projects, possible foreign technology acquisition programs, and cost-sharing arrangements between NDSTIC and involved ministries. In December, the NDSTIC submits its R&D budget to the CMC for approval through the MND.

In addition to the funds approved by the State Council for NDSTIC's R&D budget and supplemental R&D funding from the MND, funding for portions of the R&D projects undertaken by industrial ministries and research institutes involved in military-related R&D are the responsibility of these units. Sometimes they must use their own funds to underwrite favorite projects.

UNCLASSIFIED

Dissemination Control	NOFORN (NF)	Not Releasable to Foreign Nationals
Abbreviations	NOCONTRACT (NC)	Not Releasable to Contractors or Contractor/Consultants
	PROPIN (PR)	Caution—Proprietary Information Involved
	ORCON (OC)	Dissemination and Extraction of Information Controlled by Originator